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ECONOMIC SIGNIFICANCE OF CHANGES IN COUNTRY POPULATION

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In many parts of the country a distinct tendency is noticeable for the old population to give way to a new population of an entirely different type. In parts of New Jersey this is taking the form of a system of farm tenancy. In this case the difference between the old population, which still owns the land but lives in the towns, and the new tenant population, which tills the farms, is not so much one of race or language as of religion and social position. The old families are mainly Presbyterian, while the new are Methodist, Catholic and nondescript. In parts of New England the new population is French Canadian, Italian, Portuguese, Polish and, in a few places, Swedish. Here the tenancy system is making little headway, the new class of farmers usually buying the land outright. In parts of the Middle West, also, there is a distinct tendency for foreign born farmers to displace native born. In some places a second phase of this process is showing itself. Foreigners of an earlier migration are being displaced by foreigners of a later migration.

Professor Hibbard has shown¹ that the growth of the tenancy system in this country depends largely upon the fertility and the value of the land. Where land is valuable property, the original owners prefer to hold on to it and to become a landed aristocracy, leasing their farms to tenants. Where, as in parts of New England, the land is not valuable enough for that purpose, they prefer to sell it outright to the new farming population as soon as they can find buyers. But whether the incoming population becomes a land owning or a tenant population, it seems always to be a population with a lower standard of living than that which is displaced. This is the important economic fact to be considered. Is it true, and must it always remain true, that the men with the lower standard of living shall drive out the men of the higher standard? If so, where will this tendency carry us? Will Professor Ross's prophecy²

¹ See *Quarterly Journal of Economics*, August and November, 1911.

² Paper read at the annual meeting of the American Economic Association, December, 1911.

that lower and lower classes of immigrants will continually displace the higher on American soil until eventually the United States will become an Asiatic colony, prove to have been a scientific prediction?

What the final outcome of this battle of the standards will be it is not easy to predict. On the whole, it looks as though a cheap standard of living would drive out an expensive standard as surely as a cheap standard of value would drive out an expensive one. In addition to the tendencies already noted in the rural districts for the immigrants with a lower standard to displace those of a higher, there is the fact that the young man from the country, with his simpler habits and severer discipline in work, seems, when he comes to town, to get on better than the young man from the city, except in the talking professions and other positions where polish and urbanity are factors in success. Moreover, throughout history, there has always been noticeable the same tendency. The Gascons at one time, and the Normans at another, have ruled France. The Austrians at one time and the Prussians at another have ruled Germany. The Magyars at one time ruled Hungary, taking possession of the valleys and driving the more highly civilized predecessors to the mountains. Now the process is reversed and the Magyars are being displaced through the process of economic competition by the Czechs. All these seem to be mere repetitions of the same phenomenon which gave Egypt to the Shepherd Kings and the Roman Empire to the Germans, except that at one time the domination of the lower standard over the higher comes through military conquest and at another the displacement of the higher by the lower comes through economic competition.

This aspect of the problem should cause us to consider carefully before we place too much confidence in those methods of protecting the higher standard of living against the competition of the lower, namely, the restriction of immigration and the minimum wage law. Though these devices are undoubtedly necessary, and would temporarily protect the higher standard against displacement by the lower, it is probable that eventually the battle would have to be fought over again in a new form. A restriction of immigration, coupled with a minimum wage law, would keep out all immigrants who could not secure jobs at the minimum wage. This would exclude the lowest classes. The minimum wage law would protect

the higher standard of living by making it impossible for people with the very lowest standard to underbid those with a slightly higher standard. This would accomplish something, but it is difficult to see how it would stop the farmers with a lower standard from buying or renting the land away from farmers with a higher standard. Of two farmers who are able to grow equally good crops, the one with the cheapest standard of living can accumulate capital most rapidly. He, therefore, can outbid the other in competition for land, whether they are in the market as buyers or as renters. Even under the single tax, the same result would follow, for the farmer who could offer the state the largest rental for the land would get it. The minimum wage law would not affect this process at all, and the restriction of immigration would only retard it. Immigration from Heaven is quite as much a factor as immigration from the Eastern Hemisphere, and immigration from Heaven is favored by a low standard of living. The only protection against this form of displacement by a low standard of living is through educational and other agencies which will tend to raise the standard of all the people; but this is ineffective unless supported by a restriction of immigration coupled with a minimum wage law.

There is another consideration, however, which must be faced by everyone who looks beyond the immediate future. Suppose this country should, by all these methods, protect the higher against the lower standards of living, and so educate its own people as to raise their standards higher than they are now, there is still the danger of international competition. It is not necessarily true that the nation with the highest standard of living must be the most efficient, either in industry or war. There is not the slightest doubt that the lower standard of living in Germany as compared with England is one important factor in her recent successes in international competition. Here is a case where the lower standard of living does not interfere with mechanical or industrial efficiency. There is no sufficient reason for believing that the still lower standards of Japan and China may not also be quite consistent with the higher efficiency in production. In short, it is by no means certain that we have secured a final and complete protection of a high standard of living against displacement by a low standard when we have restricted immigration, established a minimum wage and educated our people up to a high standard. No scheme of political or governmental

protection is likely to secure a standard against competition from one source or another. The battle of the standards is inevitable, and the victory will go ultimately to the most efficient. In other words, in the final result, a standard of living is protected by its own efficiency, and by that alone.

This suggests the important distinction between a high standard and an efficient standard. A high standard of living ordinarily means merely an expensive standard. If every additional expense added to one's standard of living adds correspondingly to his productive efficiency, then a high standard is also an efficient standard; but if it does not in some way increase his efficiency, then it is merely an expensive standard, and will handicap its possessor in the struggle for existence, whether that struggle is waged by the destructive methods of warfare or the productive methods of economic competition. The problem of the permanent maintenance of a high standard of living is, in final analysis, the problem of rationalizing the high standard and making it efficient. Otherwise it will sooner or later be driven out by a lower standard. This is also the problem of civilization, for, unless this problem of rationalizing the high standard of living can be worked out, so that it can hold its own against low standards, then, as soon as we have exhausted the native resources of our continent, and European races have lost their markets for their manufactures, our civilization must sink back to the condition of all old civilizations where the mass of the people live on the minimum of subsistence. When, therefore, we begin to take the long look ahead, we shall find that the problem of the consumption of wealth is the most fundamental of all economic problems.

Meanwhile, there is a more immediate and practical consideration. It looks as though any effective restriction of immigration was a long way off, and a minimum wage law would hardly affect the rural situation at all. How then can an American standard of living defend itself against displacement by a cheaper standard? The only answer is: by becoming a rational and efficient standard instead of merely an expensive standard. That is to say, if the increased expenditure of the American farmer's family can be made to yield returns in greater efficiency, greater intelligence, greater mental alertness, more exact scientific knowledge and calculation, then the American farmer will not be displaced by the foreigner.

But if the rising cost of living for the American farm family is due to a mere demand for luxury, for expensive vices, and for ostentation, there is no power on earth which will protect his standard of living. Such a farmer is handicapped in competition with the more simple minded foreigner, and the latter will offer such prices for land as the former will not be able to pay. Being unable to maintain a family on such a standard, this type of American farmer will sacrifice his desire for a family, will have fewer children or none at all, and, in a few generations, will disappear altogether.

The change in the characteristics of our rural population is, from the point of view just discussed, merely a phase of the universal struggle among standards of living, and here, as elsewhere, efficiency wins. Whether we like it or not, this struggle is going to continue, and the victory is going to continue to fall on the side of efficiency. The sooner we accept this fact, and make up our minds to adjust ourselves to it, the better it will be for us.